

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 3914-05
BILL NO. HS for HCS for HB 1797 with SCA # 1
SUBJECT: Motor Vehicles; Insurance Database
TYPE: Original
DATE: May 4, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Highway Fund	\$0	(Unknown)	(Unknown)
General Revenue	(\$30,138)	(\$32,290)	(\$33,105)
Total Estimated Net Effect on <u>All</u> State Funds*	(\$30,138)	(Unknown)	(Unknown)

* Costs expected to exceed \$1,000,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Governments	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

The **Department of Insurance, Office of Prosecution Services, Department of Economic Development - Division of Motor Carrier and Railroad Safety** and the **State Treasurer's Office** assumes this proposal would not fiscally impact their agency.

The **State Public Defender's Office (SPD)** assumes that the number of driving unregistered vehicles would dramatically increase for the indigent accused. In previous responses SPD assumed only 50 to 75 cases would have to be represented and therefore could have been absorbed with existing resources. However, in FY99 the State Public Defender System provided representation in 280 such cases. SPD has assumed this number would at least double. Therefore, SPD requests one (1), part-time, Assistant Public Defender and (1), part-time, Paralegal Investigator to handle the increase caseload. **Oversight** has adjusted costs to adhere to Office of Administration guidelines.

The **Office of State Courts Administrator (CTS)** states that this proposal would create the "Motorist Insurance Identification Database Program Act", which would make it easier for the Department of Revenue to identify uninsured motorists. CTS states there are penalty provisions for violations, as well as vehicle seizure provisions for repeat offenders. CTS assumes that while there may be an increase in the number of cases filed initially, over time, there would be a decrease in the number of uninsured motorists. Therefore, CTS does not anticipate a significant impact on the workload of the judiciary.

Officials from the **Secretary of State (SOS)** assume this proposal would result in rules and regulations to be published in the *Code of State Regulations* and the *Missouri Register*. Estimated costs for printing additional pages would be \$602.50 in FY01. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn. **Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

The **Department of Revenue (DOR)** assumes this proposal changes the permissive language concerning the vehicle insurance database and mandates that DOR contract with a vendor for implementation of the database by July 1, 2001. DOR has estimated that for FY 02 they will incur expenses equal to approximately \$5,500,000 for development, contracting with the specified vendor and operational costs within DOR. For FY 03, the anticipated costs are equal to \$3,800,000 for ongoing operational costs and database maintenance.

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ASSUMPTION (continued)

Oversight notes that DOR has not received bids from vendors and therefore is unable to project an exact cost for the implementation of the database. Since DOR did not provide documentation of the cost estimates, Oversight assumes the costs are unknown but expected to exceed \$1,000,000 in FY 02 and 03.

The **Department of Revenue (DOR)** assumes this proposal changes Section 303.409 as passed in SB19 that was Truly Agreed to and Finally Passed last year. SB19 required mandatory vehicle suspensions to be mailed certified mail. This proposal requires the suspension to be mailed "first class" pursuant to Subsection 303.409.1. The Department of Revenue will use the first class automated pre-sort postage rate of \$0.305 instead of the certified mail rate of \$1.73 for suspension notices. This is a \$1.43 differential in postage cost per suspension notice.

Postage costs in any given year is dependent upon the uninsured motorist rate. Therefore, the following projected cost reduction in postage is based on an estimated uninsured rate of 18% for FY02 of motor vehicle registrations and 14% for FY03 of motor vehicle registrations. Until the mandatory insurance database is operational the uninsured rate cannot be accurately determined. The estimated percentages are based on other states findings when implementing this same type of program. Thus, the following postage cost differential is estimated.

FY02

\$2,220,075 - Postal cost differential (cost avoidance)

FY03

\$900,900 - Postal cost differential (cost avoidance)

Oversight assumes that under current law the cost of certified mailings of vehicle suspensions would be charged to the State Highway Fund. Therefore, this fiscal note identifies the cost avoidance to that Fund.

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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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HIGHWAY FUND

<u>Cost Avoidance - Department of Revenue</u>			
Certified mail	\$0	\$2,220,075	\$900,900

<u>Cost - Department of Revenue</u>			
Mandatory Insurance Database Development and Operation	\$0	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON HIGHWAY FUND*	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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* (Unknown, expected to exceed \$1,000,000)

GENERAL REVENUE

<u>Costs - State Public Defender</u>			
Personal Service (.75 FTE)	(\$19,175)	(\$23,595)	(\$24,185)
Fringe Benefits	(\$5,731)	(\$7,053)	(\$7,229)
Expense and Equipment	<u>(\$5,232)</u>	<u>(\$1,642)</u>	<u>(\$1,691)</u>
Total <u>Costs</u> - SPD	(\$30,138)	(\$32,290)	(\$33,105)

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$30,138)</u>	<u>(\$32,290)</u>	<u>(\$33,105)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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	\$0	\$0	\$0
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal makes several changes to the current Motorist Insurance Identification Database Law. Owners of inoperable or stored vehicles are exempt from the provisions requiring maintenance of financial responsibility. The Department of Revenue is required by July 1, 2001, instead of January 1, 2001, to contract with a designated agent to monitor compliance with the requirements of the chapter. The department will review the operation and performance of the database and submit a report to the General Assembly by January 15, instead of December 31, of the year following the third complete year of implementation.

Current law requires the designated agent to notify owners who have not maintained financial responsibility for 2 consecutive months that their vehicle registrations will be suspended if they do not show proof of insurance within 30 days of the mailing. The proposal exempts from such notification owners of fleet or rental vehicles and authorizes the Director of the Department of Revenue to make rules governing the notification provisions. Notice of suspension of motor vehicle registration due to noncompliance with insurance requirements will be sent by first class instead of by certified mail.

The proposal also allows the Division of Motor Carrier and Railroad Safety within the Department of Economic Development by rule to provide for the electronic filing by insurance companies of certificates of insurance.

The proposal also prohibits the director from suspending registrations of owners who satisfactorily establish that the motor vehicle was inoperable or being stored and not operated on the date proof of financial responsibility is required.

Current law requires by March 1, 2001, all licensed insurance companies to provide a record of all policies in effect on that date and to provide before the seventh working day of each month a record of each policy issued, canceled, terminated, suspended, or revoked during the previous month. The proposal only requires reporting the policies in effect beginning March 1, 2002, before the seventh working day of each month.

The proposal moves the effective date from January 1, 2001 to July 1, 2001 and extends the expiration date to June 30, 2006.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Insurance
Department of Revenue
Office of the State Courts Administrator
State Treasurer's Office
Office of Prosecution Services
State Public Defender's Office
Secretary of State's Office
Department of Economic Development
Division of Motor Carrier and Railroad Safety

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is fluid and cursive, with the first name "Jeanne" and last name "Jarrett" clearly distinguishable.

Jeanne Jarrett, CPA
Director
May 4, 2000